

## Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00

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USMISSION EC BRUSSELS

AMCONSUL MEDAN

AMCONSUL SURABAYA

AMEMBASSY VIENNA

AMCONSUL HONG KONG

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E.O. 11652: GDS

TAGS: ENRG, ID, OPEC

SUBJECT: INDONESIAN CRUDE PRODUCTION AND EXPORTS

REF: JAKARTA 1387

1. SUMMARY: GOI CRUDE PRODUCTION AND RESULTING EXPORTS CONTINUE AT RECORD LEVELS. MINES MINISTER SADLI ANNOUNCED THAT US HAS REPLACED JAPAN AS INDONESIA'S NO. 1 CUSTOMER FOR CRUDE. THERE IS PRIVATE CONCERN, HOWEVER, ABOUT IMPACT OPEC'S JULY FIVE PERCENT PRICE INCREASE MIGHT HAVE ON COMPETITIVENESS INDONESIAN OIL. THIS HAS GIVEN RISE TO UNCONFIRMED REPORTS THAT GOI MAY JOIN VENEZUELA IN EFFORT ARRANGE OPEC PRICE COMPROMISE. END SUMMARY.

2. INDONESIAN CRUDE OIL PRODUCTION CONTINUES TO CLIMB. ACCORDING TO MINES MINISTER SADLI, OUTPUT IN MARCH STOOD AT 1.72 MILLION B/D, SIGNIFICANT INCREASE OVER FEBRUARY'S RECORD LEVEL OF 1.69 MILLION B/D. LATEST FIGURES REPRESENT 15 PERCENT IMPROVEMENT OVER 1976 AVERAGE WHICH WAS 1.50 MILLION B/D AND ARE WELL ABOVE OIL AND GAS DIRECTORATE (MIGAS) 1977 PRODUCTION TARGET OF 1.58 MILLION B/D. THESE LEVELS OF PRODUCTION PUSH INDONESIA CLOSER TO ITS TOTAL PRODUCTIVE CAPACITY WHICH NOW IS APPROXIMATELY 1.80 MILLION B/D.

3. SURGE IN OUTPUT BY FRENCH TOTAL ACCOUNTS FOR BULK OF INCREASE. COMPLETION NEW STORAGE AND LOADING FACILITIES AT COMPANY'S EAST KALIMANTAN OPERATION ENABLED PRODUCTION JUMP FROM 108,000 IN DECEMBER 1976 TO PRESENT LEVEL OF NEARLY 240,000 B/D. OTHER MAJOR PRODUCTION-SHARING COMPANIES REMAINED RELATIVELY LEVEL. CALTEX, COUNTRY'S LARGEST PRODUCER, REGISTERED ACTUAL DIP IN PRODUCTION TO 820,000 B/D. PERTAMINA ITSELF ALSO EXPERIENCED DROP TO 84,000. LATTER HAS SHOWN STEADY DECREASE IN PRODUCTION  
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SINCE 1974 WHEN OUTPUT AVERAGED 110,000 B/D. PART OF THIS DUE TO LACK NEW INVESTMENT CAPITAL FOR EXPLORATION AS RESULT COMPANY'S FINANCIAL CRUNCH OF PAST TWO YEARS.

4. ONLY OTHER SIGNIFICANT NEW PRODUCTION EXPECTED DURING 1977 IS BY PHILLIPS WHICH WILL START WITH ABOUT 40,000 B/D FROM ITS TELUK BERAU BLOCK IN IRIAN JAYA. MOBIL SHOULD BEGIN CONDENSATE PRODUCTION OF ABOUT 12,000 B/D LATER THIS YEAR. MANY COMPANIES, HOWEVER, COULD BEGIN EXPERIENCE SOME DROP-OFF IN THEIR PRODUCTION LATE THIS YEAR OR IN EARLY NEXT YEAR DEPENDING ON WHETHER THEY RESUME DRILLING. IN LIGHT OF POOR RESPONSE TO NEW PERTAMINA INCENTIVES PACKAGE PLUS UNCERTAINTY ABOUT IRS SITUATION, SOME COMPANIES ALREADY REPORT PLACING HOLD ON ANY MAJOR SPENDING FOR 1978 PROGRAMS, UNLESS PRESENT UNCERTAINTY CLEARS UP.

5. PERFORMANCE OF INDONESIAN CRUDE EXPORTS REFLECTS RISING OUTPUT. LATEST MIGAS FIGURES FOR FEBRUARY SHOW TOTAL

CRUDE EXPORTS OF 1.30 MILLION B/D, SIX PERCENT INCREASE OVER 1976 AVERAGE OF 1.23 MILLION B/D. UPSWING DUE COLD WEATHER IN JAPAN AND US WHICH IS MANIFESTED BY INCREASE IN EXPORTS OF RESIDUAL FUEL OIL (LSWR), PARTICULARLY TO JAPANESE CUSTOMERS. LSWR EXPORTS TO JAPAN AMOUNTED TO 105,000 B/D IN FEBRUARY, UP NEARLY 30 PERCENT SINCE BEGINNING OF YEAR. TOTAL INDDONESIAN CRUDE EXPORTS TO JAPAN AVERAGED 534,000 B/D IN 1976, NINE PERCENT OVER 1975 BUT STILL FAR BELOW RECORD LEVEL OF 1973. FAR EAST OIL AND JAPAN-INDONESIAN OIL HAVE SIGNED 1977 CONTRACTS CALLING FOR DELIVERIES OF 80,000 B/D AND 47,000 B/D, RESPECTIVELY--APPROXIMATELY SAME LEVEL AS 1976 FIGURES.

6. INDONESIA CRUDE EXPORTS TO US ARE REACHING NEW HIGHS. FEA FIGURES SHOW TOTAL EXPORTS OF 624,000 B/D FOR JANUARY OR SLIGHTLY UNDER HALF OF INDONESIA'S TOTAL OIL EXPORTS. THIS IS INCREASE OF 26 PERCENT OVER FIRST QUARTER 1976. MINES MINISTER  
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SADLI ANNOUNCED MARCH 28 THAT US HAS REPLACED JAPAN AS MAIN CONSUMER OF INDONESIA CRUDE. WEST COAST DROUGHT WHICH HAS CAUSED DROP IN HYDROGENERATION APPEARS TO BE MAIN REASON FOR INCREASE. PERTAMINA SIGNED THREE MAJOR CRUDE DEALS IN EARLY MARCH WITH UNION PACIFIC, ADA RESOURCES AND LOS ANGELES FIRM, DIMA OIL, EACH FOR 50,000 B/D. THESE CONTRACTS PLUS HEAVY LIFTINGS BY OPERATORS HAVE CAUSED PERTAMINA TO HANG "SOLD OUT" SIGN ON DOOR. PROSPECTIVE BUYERS BEING TOLD NO MAJOR SPOT DEALS WILL BE POSSIBLE UNTIL END OF SECOND QUARTER. ONE SUCH COMPANY ADVISED IS GULF WHICH IS PRESENTLY TRYING TO ARRANGE MAJOR BLENDING DEAL INVOLVING KUWAITI BURGAN CRUDE WITH MINAS LIGHT ON ROUGH 1:2 RATION. GULF SEEKING ABOUT 80,000-100,000 B/D FOR STARTERS AND WOULD BE PREPARED TAKE MORE IF AVAILABLE.

7. RECENT SALES INVOLVE MARKET OR "REALIZED" CIF PRICES ON 30-DAY CREDIT TERMS. NO REPORTS OF PRICE SHAVING. MIGAS OFFICIALS TELLS US THAT PERTAMINA BOARD OF COMMISSIONERS HAS ADVISED PERTAMINA PRESIDENT HARYONO THAT PRICING LEVELS SEEM COMPETITIVE AND THAT NO DISCOUNTS OR PRICE ADJUSTMENTS APPEAR NECESSARY AT PRESENT TIME.

8. THERE IS, HOWEVER, CONCERN IN GOI OIL CIRCLES ABOUT NEXT SCHEDULED OPEC PRICE INCREASE IN JULY. PERTAMINA, WHILE NOT ADMITTING IT PUBLICLY, IS UNCERTAIN ABOUT HOW FIVE PERCENT RAISE WOULD AFFECT COMPETITIVENESS INDONESIAN OIL IN KEY MARKETS. SADLI RECENTLY TOLD SOCAL AND TEXACO CHARIMAN HE WAS "WORRIED" ABOUT WHAT WOULD HAPPEN IN JULY. MINISTER SAID "HIS NAME" WAS ON PIECE OF PAPER WHICH COMMITS INDONESIA TO JULY HIKE. IN THIS REGARD,

WE HEAR UNCONFIRMED REPORTS THAT INDONESIA MAY BE  
QUIETLY SUPPORTING APPARENT MEDIATION EFFORTS OF  
VENEZUELA, INCLUDING POSSIBLY JOINING MINISTER HERNANDEZ  
ON HIS VISIT TO GULF. SOURCES IN PERTAMINA AND MIGAS,  
WHILE NOT CONFIRMING THIS, INDICATE THAT THIS POSSIBILITY  
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IS AT LEAST UNDER CONSIDERATION.  
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